U.S. Department of Agriculture
Office of Secretary

Early this year I issued a report on the State of American agriculture.

I said 1978 had been a much better year for farmers.

I said net farm income had reached the second highest level in history; that on- and off-farm income had set a new record; that U.S. farmers had sold more of their products to overseas customers than in any previous year; and that stronger farm prices and greater sales had helped them increase their total equity by 11 percent.

To paraphrase someone else I know, I then stood back to await applause for the Secretary of Agriculture.

Instead, 2,000 angry farmers rode their tractors into Washington to tell everyone within earshot that they were going broke under this administration's farm policy.

They said they were not earning enough to meet their costs of production.

Remarks prepared for delivery by Secretary of Agriculture, Bob Bergland, before the National Press Club, Washington, D.C., Wednesday, March 7, 1979

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They said they had to have 90 percent of parity for wheat, corn, soybeans, cotton, and milk.

And they said this administration and the Secretary of Agriculture neither understood the plight of the family farm operator, nor sympathized with his problems.

Well, here we have a contradiction in claims. And I'm sure the discrepancy puzzled some members of the press as much as it has the general public.

Today I'd like to try to clear up the discrepancy.

The USDA makes its assessments of the state of agriculture from a body of statistical evidence that, in effect, draws its conclusions from the general, rather than the specific.

Thus, we look at the farm price index, farm income levels, sales totals, and the equity figures and we conclude that 1978 was, indeed, a much better year for farmers than the year before.

But an individual farmer is more likely to reason from the specific to the general.

And if he happened to have a bad year in 1978, for any one of a number of reasons, he may conclude that administration farm policy is a failure.

An analogy might be that of the man who can't find a job in a time of high employment. Statistical evidence that the job market is good flies in the face of his own experience.

What muddies perspective is the inevitable over-simplifications that result from conclusions reached <u>either</u> through reasoning from the general to the specific or from the specific to the general.

Thus when the Department of Agriculture says the statistics show that 1978 was a good year for farmers in every part of the country, those sterile tables of evidence, while accurate, tend to obscure the fact that there were notable exceptions.

--Several regions of the country were hit by drought or other natural disasters last year, and this created hardship for many of the famers in those areas.

--Cash flow problems persist, especially among some cash grain farmers.

--And despite the gains in 1978, farmers as a group still lag behind non-farmers in disposable personal income.

Let me say a few words about the problems of grain farmers.

Many of them borrowed heavily to begin farming or to expand their operations in the early and mid-1970's. They based their debt repayment plans on high grain prices that prevailed then. But when grain prices dropped sharply in 1976 and 1977, some of those farmers had to refinance their debts and sell part of their assets to stay in business.

After only one year of improved grain prices, some are still struggling to work their way out of that predicament.

What I'm saying is that there were exceptions to the overall pattern of economic advancement for farmers in 1978, and they have to be recognized.

But the farm protesters also muddy perspective when they contend, as some them do, that because they had a bad year in 1978, all or most farmers had a bad year too. That defies all evidence to the contrary.

And I don't mind telling you that I deeply resent the charge some have made that the USDA has juggled statistics to cover up the so-called "real" situation.

I don't say our farm policy is perfect.

I don't say every farmer has felt its benefits.

But I do say that what happened last year is a good sign we've got a policy that is working effectively. So effectively that, if we get some lucky breaks along the way, it's possible that this year--1979--will see a new all-time record set for net farm income.

Given the record of 25 percent higher farm prices; the second highest net farm income, $28.1 billion; the record $27.3 billion in farm export sales chalked up last year--and the prospects for another good year in 1979--we see no need for any major changes in this administration's basic farm program.

We are convinced that our grain reserve program, our target and price support levels and our credit and export assistance programs provide the stability that farmers want without the oppressive government interference and controls that farmers detest.

And this is where the contradiction in the respective viewpoints of the American Agriculture Movement and the administration comes into sharpest focus.

Parity

The AAM is demanding 90 percent of parity for five major commodities.

Their claim is that price supports based on 90 percent of parity will make it possible for them to meet their costs of production.

But will they?

To answer that question let's first take a look at the definition of parity.

Parity is a an economic yardstick that compares prices for farm products in relation to the cost of things farmers have to buy. It is based on the 1910-1914 period when prices received and prices paid supposedly stood in relative balance.

Parity shows the relationship of the price of a bushel of corn to a pair of shoes, for example. It has never measured the purchasing power of farmers, but the purchasing power of a unit of production, such as a bushel of corn.

Now if today's farmers were guaranteed 90 percent of parity for corn, the price would be $3.92 a bushel. But today's farmers are currently getting an average of $2.10 a bushel. This would mean the government--or the consumer--would have to pay farmers an additional $1.82 for every bushel of corn they sold.

Up to this point, simple fairness would seem to argue in favor of the parity concept.

Consider some additional factors.

In 1910 the average farm was 138 acres and the average corn yield an acre was 26 bushels. At today's parity prices, an acre of corn back then would be worth $101.92, and 138 acres of corn would be worth $14,000.

But U.S. farms now average 450 acres and the corn yield an acre is about 100 bushels. So what we're talking about is that at today's parity prices the farmer would get $392 an acre for his corn, or more than $176,000 for his crop.

You can see that the problem with parity is that one important factor is missing. And that is volume.

And there are other important considerations in the argument over 90 percent parity.

A preliminary study by the Congressional Budget Office recently concluded that if farm policy set price supports at 90 percent of parity for wheat, corn, soybeans, cotton, and milk, it would cost $10.8 billion in subsidies in 1980 alone, and add 2 inflation points to the nation's inflation rate by 1981. The CBO study also said that higher food prices would add almost $500 a year to the grocery bill of a typical urban family of four, and by the end of 1981 food prices would be 9 1/4 percent higher than they are under current subsidy levels.

Equally important, the Congressional Budget Office also estimated that within three years our farm export markets would be cut in half. That would be catastrophic to farmers who earn one dollar in every four from exports.

And farmers would be hurt in another way. Because land prices generally reflect the value of the crops grown on them, 90 percent of parity would serve to drive those land prices even higher than they are today.

This would spark another round of inflation which would, in turn, drive up the parity level, which would again, drive up land costs, farm production costs, and the costs of the consumer goods the farmer must also buy.

What we would have then is an even more vicious inflationary circle.

And what we envision as the inevitable result is precisely what the protesting farmers say they <u>don't</u> want--fewer and fewer and larger and larger farms.

<u>Family Farms</u>

I've been talking about viewpoint and perspective today. And I'd like to conclude my remarks by considering how viewpoints differ regarding that most venerable of American agricultural institutions--the family farm.

I still think of myself as a family farm operator. I still have my farm in Roseau, Minnesota. In the tough years--years when I lost entire crops to drought or flood--I had to do everything I could to hang onto that farm, including working as a carpenter during the winter so I could keep up the payments.

My son-in-law runs the farm now, but he can't afford to buy his own because the land I paid $100 an acre for is now selling for $800.

Now this brings me back to a point I made earlier; the point that 90 percent of parity would drive up the price of farmland so that fewer and fewer farmers or would-be farmers could afford to buy it.

This means that inevitably the bigger, more efficient, better capitalized operators would own more and more of the land.

Some believe this is not only inevitable, but desirable. I disagree.

We've lost 3 million farms in the past 25 years, and though most of the remaining farms are still classified as family operations--and corporate owners still make up only 2 percent of the total--a continuing decline in numbers could hurt this country economically and sociologically.

Studies consistently show that the most economically-efficient farm is the family-operated farm of adequate size that is well-managed, financed, and equipped.

Moreover, the presence of an adequate number of farm families in a given rural community has a direct and positive bearing on the viability of that community.

And though I do not as a rule romanticize the rural life or the role of the farmer, I am also convinced that the best stewards of our soil and water resources are those farmers who live on the land they farm.

Someone once said that the best fertilizer one can put on the soil of a farm is the footprint of the owner, and I've seen plenty of evidence that this is true.

This, then, brings me to a final point.

When we talk about the need to stop the decline in the number of family farms, what family farms are we talking about? We all know they vary in size, in location, in what they produce, in number of family members involved, in capitalization, debt and net assets, in specific advantages, disadvantages, and needs.

Do we try to formulate a farm policy that addresses every one of those differentiating factors?

Do we adjust tax policy to accommodate each of their differing needs?

Do we try to define precisely which family farms are worth saving, and which can be left to drift into the hands of bigger and bigger operators?

I think we need a national dialogue on the future of the family farm. And I think the time to begin that dialogue is now.

But that dialogue must focus on hard questions, not simple slogans and rhetoric.

And here's where differing viewpoints and perspective come into the picture again.

I leave you now with two revealing anecdotes from the many meetings Department of Agriculture and White House people have had with the farm protesters in recent weeks.

On one occasion 21 farmers met with department and White House economists to urge that something be done to, quote, "save" unquote, the family farm.

In the course of the exchange, it was learned that 20 of those 21 farmers had gross sales of $200,000 a year or more. Indeed, several of those farmers questioned whether a farm with sales of $100,000 or less could even survive.

If we were to let that latter class of farms succumb, that would eliminate all but 400,000 of the present 2.4 million farms in America.

A final example, again drawn from an exchange between AAM members and USDA economists.

Again the AAM members were urging action to save the small family farm, and again they were complaining that neither the administration nor the USDA understood the plight of the small operator.

"But Bob Bergland is a farmer," one of our economists said. "He knows what it is to farm for a living."

At that one of the AAM members drew himself up and snorted:

"You don't call that piddly-blank little piece of ground he's got a farm, do you?"

So much for 600 acres and 30 years of worry, sweat, and toil.

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